

## SUBCHAPTER G—DEFENSE CONTRACTING

### PART 162—PRODUCTIVITY ENHANCING CAPITAL INVESTMENT (PECI)

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#### APPENDIX A TO PART 162—REPORTING PROCEDURES

AUTHORITY: 10 U.S.C. 136; E.O. 12367, 3 CFR, 1988 Comp., p. 566.

SOURCE: 56 FR 50271, Oct. 4, 1991, unless otherwise noted.

#### § 162.1 Purpose.

This part:

(a) Updates policy, responsibilities, procedures, and guidance for the PEGI process under DoD Directive 5010.31.<sup>1</sup>

(b) Authorizes the publication of DoD 5010.36 36-H-2 “Productivity Enhancing Capital Investment (PECI) Handbook,” consistent with DoD 5025.1-M.<sup>3</sup>

#### § 162.2 Applicability and scope.

This part.

(a) Applies to the Office of the Secretary of Defense (OSD); the Military Departments; Chairman, Joint Chiefs of Staff and the Joint Staff; the Defense Agencies; and the DoD Field Activities (hereafter referred to collectively as the “DoD Components”).

(b) Encompasses the acquisition of equipment and facilities to improve the following:

(1) Productivity, quality, and processes of DoD Components including major facilities, equipment, or process modernization.

(2) Performance of individual jobs, tasks, procedures, operations, and processes.

<sup>1</sup>Copies may be obtained, at cost, from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161.

<sup>2</sup>Copies will be obtained, at cost, from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161.

<sup>3</sup>See footnote 1 to §162.1(a).

(c) Encompasses PIF investments at appropriated and industrially funded activities, if they are not participating in the Defense Business Operations Fund. For industrially funded activities, projects may be submitted for PIF on an exception basis; primarily, this includes facilities, multi-function projects, prototypes, demonstrations, and cross-service initiatives. Investments at Government-owned, contractor-operated (GOCO) facilities are limited to those for which the Department of Defense has responsibility to provide equipment or facilities and from which productivity benefits can be recovered within existing contractual provisions.

#### § 162.3 Definition.

(a) *Capital Investment*. The acquisition, installation, transportation, and other costs needed to place equipment or facilities in operation meeting DoD capitalization requirements.

(b) *Economic Life*. The time period over which the benefits to be gained from a project may reasonably be expected to accrue to the Department of Defense.

(c) *Internal Rate of Return (IRR)*. The discount rate that equates the present value of the future cash inflows, e.g. savings and cost avoidances, with the present value costs of an investment.

(d) *Life-Cycle Savings*. The estimated cumulative budgetary savings expected over the life of the project.

(e) *Net Present Value of Investment*. The difference between the present value benefit and the present value cost at a given discount rate.

(f) *Off-the-Shelf*. Equipment that is readily available through Government or commercial sources or that can be fabricated through combination or modification of existing equipment.

(g) *Pay-Back Period*. The number of years required for the cumulative savings to have the same value as the investment cost.

(h) *PECI Benefits*. Benefits resulting from PECIs are classified as savings or as cost avoidance:

(1) *Savings*. Benefits that can be precisely measured, quantified, and placed